



WHERE'S THE MONEY?

Internal theft and sloppy cash-handling continue to vex operators, exclusive study shows

BY ERIK J. MARTIN

Want to know the fear that wakes up a hardworking c-store operator at night in a cold sweat? It's all about the Benjamins—and the Georges, Abrahams, Alexanders, Andrews and Ulysseses, too.

Concerns about cash handling and management continue to persist, and for good reason: Employees' fingers seem to be stickier, criminals have gotten craftier and time-crunched staff are more prone to money mistakes.

To better understand the cash dilemmas convenience stores face today, CSP conducted its fifth-annual cash management study, commissioned by Corporate Safe Special-

ists/FireKing Security Group. The poll, concluded in February, gathered feedback from 180 individuals who operate c-stores and are involved in cash flow/management/banking in their operations. Thirty-seven percent operate a single store (37%), followed by two to nine stores (25%); 10 to 49 units (16%); and 50 or more (22%). (Note that 2015 survey respondents may vary from those who participated in last year's poll.)

Key revelations from this year's responses include:

Cash shrinkage and inefficient cash handling top concerns for the fifth straight year. Cash shrinkage (aka internal theft) ranked No. 1, with 64% calling it a serious issue vs. 55% in 2014. Inefficient cash handling—which includes counting, recounting, reconciling discrepancies, and making bank deposits—was cited by 60%, down from 70% last year, although 88% indicated its seriousness had increased or stayed the same over the past 12 months.

More concerns about internal theft. More operators of both single stores and multi-unit operations rank internal theft as a serious issue (57% and 69%, respectively, up from 49% and 59% indicated in 2014).

External crime is climbing. Robberies and burglaries increased this year over last (ranking No. 3 now vs. No. 5 in 2014, at 30% vs. 24%, respectively), particularly among operators of single locations: Thirty-one percent list it as a most serious issue compared to 18% in 2014.

Funny money slips in seriousness. Counterfeit currency is the No. 4 most serious concern (26%, down 5 points since last year).

Bank deposit discrepancies down. Those involving fees, time and effort to resolve slotted at No. 5 (down from its No. 4 slot last year), chosen by 22% as a most serious issue (vs. 25% in 2014).

Security of device transaction data, new to this year's survey, placed No. 6, picked by 15% as a most serious issue.

At least 80% of all respondents, across all five years of the study, revealed the seriousness of each cash handling/management issue identified has risen or stayed the same each year compared to the previous year.

More stores are playing it smart with safes. Thirty-six percent now have automated coin- and bill-dispensing smart safes. But the discrepancy between chains and sin-

gle-store operators is dramatic. More than half of the multi-unit respondents feature safes vs. just 10% of single-unit operators, with 13% of all operators expecting to add them in the next year. And 33% (compared to 22% in 2014) have automated bill acceptor smart safes (45% of multi-store vs. 13% of single-store operators).

Hands in the Cookie Jar

Internal theft of cash has leapfrogged over cash-handling inefficiencies as the most serious cash handling/management concern for c-stores. But it's not a big surprise to many in the industry.

"It's not always easy to pinpoint where

the theft occurred if the money is not being validated in a formal, secure fashion throughout the day and the process isn't structured 100%," says Caitlin Catron, product manager of the CashLINK program for GardaWorld Cash Services in Boca Raton, Fla. "This leaves several loopholes for employees to be creative."

To decrease cash shrinkage, Catron recommends implementing additional loss prevention and auditing procedures and a more sophisticated cash-management system.

At Bobby & Steve's Auto World c-store locations throughout greater Minneapolis, smart safes are on a 1-minute time delay for vending and dropping, registers prompt team members to make a safe drop when-

Cash-handling and management issues

MOST SERIOUS

Cash shrinkage (internal theft)	64%
Inefficient cash handling (employee productivity loss: counting, recounting, reconciling discrepancies, making bank deposits)	60%
Robberies and/or burglaries	30%
Counterfeit currency	26%
Bank deposit discrepancies (fees, time and effort resolving)	22%
Security of device transaction data	15%
Lack of information for cash forecasting	14%
Cash exposure (cash not held in a business-rated safe)	13%
Inability to track cash flow between POS and safe	13%
Lack of detailed safe transaction data to resolve cash discrepancies	12%
Safe not linked to bank allowing for provisional credit	10%
Inability to transfer data between safe and back-office systems	10%

Cash-handling and management issues

**MOST SERIOUS
(1 STORE VS.
2 OR MORE STORES)**

Inefficient cash handling (employee productivity loss: counting, recounting, reconciling discrepancies, making bank deposits)	63% vs. 59%
Cash shrinkage (internal theft)	57% vs. 69%
Robberies and/or burglaries	31% vs. 29%
Counterfeit currency	30% vs. 24%
Bank deposit discrepancies (fees, time and effort resolving)	16% vs. 25%
Security of device transaction data	15% vs. 15%
Lack of information for cash forecasting	18% vs. 12%
Cash exposure (cash not held in a business rated safe)	15% vs. 12%
Inability to track cash flow between POS and safe	10% vs. 14%
Lack of detailed safe transaction data to resolve cash discrepancies	8% vs. 15%
Safe not linked to bank allowing for provisional credit	8% vs. 11%
Inability to transfer data between safe and back-office systems	6% vs. 12%

ever it exceeds \$350, and security cameras connected to the system keep a close eye on things.

“You have to set strong policies, make sure these policies are inspected daily and let team members know that you’re aware of what they’re doing,” says Dawn Villiard, office leader for Bobby & Steve’s Auto World, based in Eden Prairie, Minn.

John Rhoads, senior vice president of product channel development for FireKing Security Group, the New Albany, Ind.-based parent company of Corporate Safe Specialists, agrees that having effective processes in place is essential.

“Make sure you have compliance procedures in place and ways to constantly measure them,” Rhoads says. “If you don’t actively monitor these areas, you’re creating a bigger problem for your operations than you realize.”

Missing Money

Inefficient cash handling may be slightly on the decline as a crucial concern among operators compared to last year, but it’s still a vexing problem for plenty.

Sam Odeh says human error and complacency, which contribute to mishandled

“It’s helpful to communicate vulnerabilities and mistakes throughout your operations.”



cash problems and lack of efficiency, are his operations’ top concern.

“I’ve been in the business 28 years, and there’s not a day that goes by where these issues don’t happen,” says Odeh, CEO of Chicago-based Power Mart Corp., which operates seven corporate stores under the Power Market Flag in Illinois and Georgia and also is part of 7 PBD USA Regions, which owns/operates 428 other c-store sites in 28 states.

“Often, the problem is getting employees to listen. They sometimes get lazy or forget [best practices],” he says.

For Jonathan Ketchum, senior vice president of retail for Odessa, Texas-based Alon Brands Retail, the largest U.S. licensee of 7-Eleven stores, cash handling at the store

level is time-consuming, inefficient and “not the best use of our store managers’ time.”

“We’d prefer that he or she is on the sales floor interacting with our guests,” he says. “But money still has to get to the bank. We would like to see a better system than manually counting money, but it needs to be affordable.”

For better results, Catron suggests making sure employees understand the full process flow from when dollars enter the store to when they go to the bank, and the risks and effects of not following this process properly.

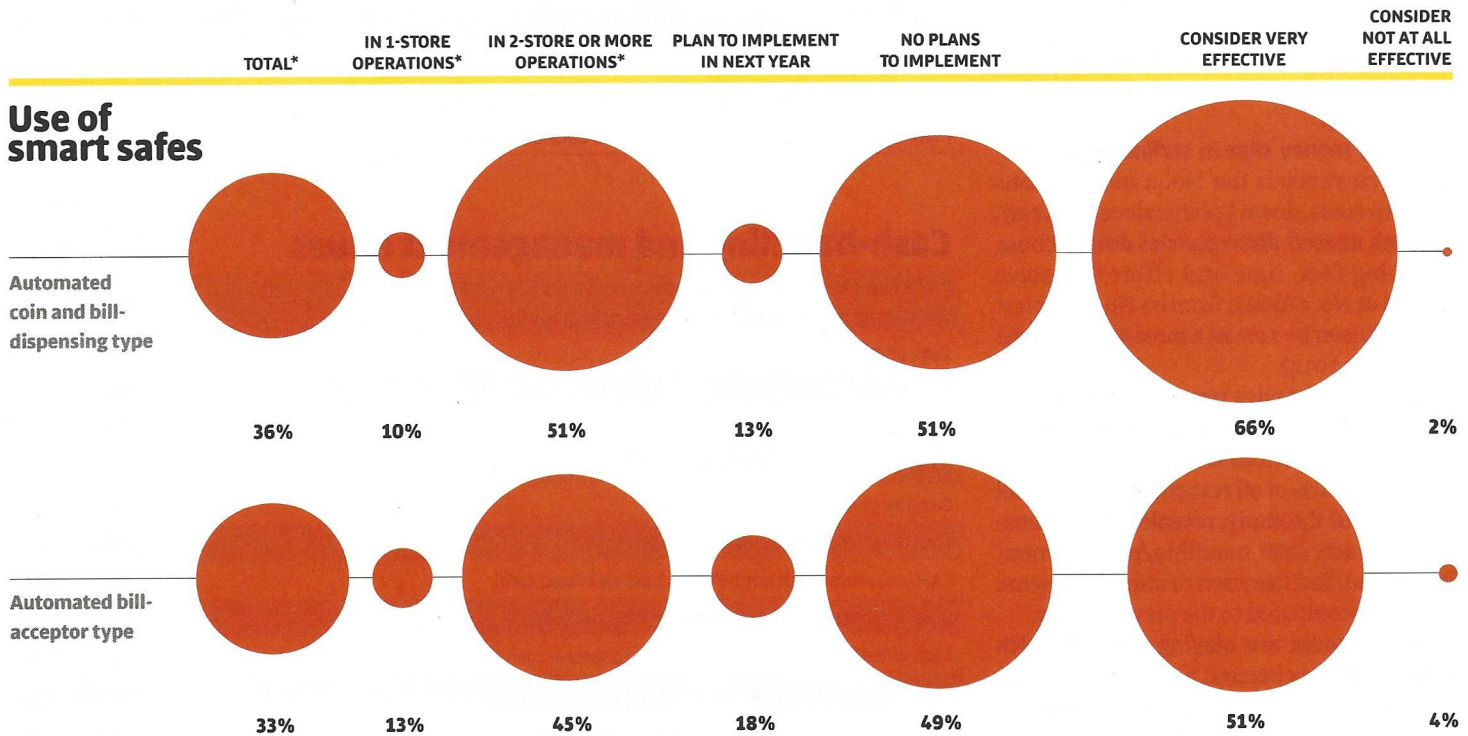
Looming Threats

Robbers and burglars rank higher than ever as a sobering money menace to convenience retailers, as evidenced by its jump to the No. 3 slot.

Adding supplemental security measures and deterrents are the key to thwarting this threat, according to the experts.

“Use of smart safes or drop safes with a time lock system helps, as does the practice of dropping large bills as they come in and not letting cash pile up in the drawer all day long,” says Catron.

Ketchum says his stores employ a laun-



* Currently have in place

dry list of crime-deterrent methods: internal security cameras, employee panic buttons, enhanced lighting, uncluttered windows, low-profile gondolas, a strict same-day policy of money being deposited in the bank and, at newly built locations, smart safes. Consequently, robbery/burglary losses equate to less than 0.05% of his stores' sales.

"Our major concern is not so much with actual cash loss but with ensuring the safety of our employees and guests," says Ketchum.

It's helpful to communicate vulnerabilities and mistakes throughout your operations, Odeh says. For instance, at one of his stores, a clerk didn't fully close the register and left the front door unlocked when she had to use the restroom. A visitor walked in, saw the open cash drawer, pilfered it and ran.

"We broadcasted the experience internally to our entire management team so

that we could share lessons learned and best-practice advice," Odeh says.

Bad Bucks, Data Holes

Counterfeit currency was chosen as a serious issue by slightly fewer respondents in 2015, but fear of phony greenbacks never truly goes away. Using a variety of counterfeit-detection tools, such as bill validators and detection pens, is the answer for this concern.

"The Federal Reserve has also updated their currency templates over the last few years, resulting in notes like the \$5, \$20, and most recently the \$100 bill becoming more sophisticated and harder to duplicate," Cartron says.

Security of device transaction data, meanwhile, is an increasingly worrisome issue. With growing acceptance of electronic forms of payment such as Apple Pay and PayPal, and the rise of cyber safety concerns, it's little wonder why respondents

picked this as the No. 6 most serious issue on the list.

To better protect data at his five Illinois stores, Odeh has invested in stronger IT solutions, including the installation of separate servers (\$2,000 each) for different areas of the store.

"If someone hacks our car-wash server, for example, they'll only breach that area instead of all our data," he says.

Indeed, operators have to be ultra-sensitive to any data that passes out of their devices, network and operations.

"If they're not using some sort of encryption technology, they'll need to do something immediately to secure that data," says Rhoads.

Solos vs. Multi-Stores

The gap between single- and multi-unit operators viewing issues as serious is meaningful. Some of the spreads:

Cash-management devices, tools, processes

	CURRENTLY HAVE IN PLACE	CONSIDER VERY EFFECTIVE	CONSIDER NOT AT ALL EFFECTIVE
Low cash in registers	92%	79%	1%
Drop safes: manual	80%	68%	4%
Secure business-rated safe	76%	83%	1%
Separate coin/bill storage and access	65%	64%	3%
Time delays—time lockouts	59%	59%	1%
Remote visibility/monitoring of cash positions	58%	61%	4%
Remote visibility/monitoring of safe activity	55%	62%	5%
Detailed transaction reporting of deposits, drops, door openings and pickups	48%	64%	5%
Safe and POS integrated with video surveillance	45%	73%	5%
Automated alerts—door open, safe withdrawals	43%	60%	4%
Central repository of cash-handling information	42%	69%	1%
Provisional credit—recognize cash in safe as deposit	28%	63%	4%
Consolidated cash reporting across multiple locations	23%	61%	0%
POS integrated with safes	18%	50%	12%
Automated coin ordering	12%	38%	15%

Cash-handling business intelligence improvements planned in the next 12 months

	TOTAL	1-STORE OPERATIONS	2-STORE OR MORE OPERATIONS
Proactive alerting of out-of-compliance cash-handling behavior	30%	12%	41%
Trend analysis capabilities to prioritize business rule improvements	14%	8%	18%
Cloud-based central repository of cash-handling information	11%	5%	12%
Expanded leverage of centralized information across operations, finance, LP and HR	10%	5%	13%
Do not plan to focus on improvement in any of these areas	53%	68%	44%

Source: CSP/Corporate Safe Specialists/FireKing Security Group 2015 cash management study



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- > Cash shrinkage (57% of single stores vs. 69% of multi-unit chains);
- > Bank deposit discrepancies (16% vs. 25%);
- > Lack of detailed safe transaction data to resolve cash discrepancies (8% vs. 15%).

“Use of cash and visibility of the utilization of cash is probably more acute for single-store operators,” Rhoads says. “They have to ensure, for example, that they have enough money in the till to pay the beer guy when he shows up, vs. a larger operator who may have established an account with that vendor or have different methods of cash utilization.”

In addition, multi-unit operations often dedicate a team to reconcile bank deposit.

“For them,” Rhoads points out, “it’s easier to calculate the ROI on devices like smart safes. But smaller operators can get a good ROI too.”

A Better Money Mousetrap

Retailers polled persist in relying on proven cash-management devices, tools and processes to control cash: namely, low cash in registers, manual drop safes, secure business-rated safes, separate coin/bill storage and access, and time delays/lockouts.

“We employ all these strategies,” Ketchum says. “Low cash in the register is a deterrent to external theft. We want to be known as a high-risk, low-reward place to attempt to rob. So we tell customers we are putting their large bills in the safe.”

Smart safes—including those with automated coin- and bill-dispensing features (used by 36%) and automated bill-acceptor capabilities (33%)—can be extremely effective at curtailing shrinkage, theft, miscounts and bank deposit discrepancies.

John C. Strickland, Jr., president of Goldsboro, N.C.-based Wayne Oil Co., Inc., which operates 14 Ballpark-branded convenience stores throughout North Carolina, says cash management/handling problems have equated to only a 0.7% cash loss at his stores. “I’ve been able to achieve these numbers with virtually no technology in the stores, including smart safes,” he says.

Strickland’s best cash management tool? His employees. “We do a great job of hiring

the right people and training them well before they get on the payroll so that we don't have to worry about them from a cash perspective," he says.

Enhancements to business intelligence capabilities are also on the minds of many operators, 47% of whom plan to create or improve at least one of the following over the next year: proactive alerting of out-of-compliance cash-handling behavior (12% of single-store operators are planning this vs. 41% of multi-store operators); trend analysis capabilities to prioritize business rule improvements (8% vs. 18%); cloud-based central repository of cash handling information (5% vs. 12%); and expanded leverage of centralized information across operations, finance, loss prevention and human resources (5% vs. 13%).

"Nearly half of the respondents are saying, 'This is important to me. But with all the other things tugging on me as an operator, I don't know if I have the institutional resources or bandwidth to handle these items myself,' " says Rhoads. "They're saying, 'I need an easy button, or somebody else who's going to help me manage my operation by alerting me about out-of-compliance cash behavior.' "

Summing Up the Totals

Bills and coins aren't going away anytime soon. And plastic and electronic forms of payment have their drawbacks too.

The takeaway? The industry is getting better at keeping its money, but cash handling and theft—both internal and external—remain an unwanted stitch in the c-store fabric.

As Catron points out, "Due to the nature of the business, c-stores have high volumes of cash that make these areas vulnerable year after year."

The good news for Strickland's stores is that cash represents only about 20% of the daily volume of transactions; he anticipates that number to dwindle to as low as 10% within 10 years as electronic payment methods become more prevalent. But that brings with it new challenges.

"Nothing is foolproof," he says. "We're opening up an architecture that makes it even easier for thieves with these new forms of payment."

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